

Living Beyond Paycheck to Paycheck

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Background Information

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We specialize in Investment Planning and Asset Management
Services for the Emerging Investor Community.

Presentation Agenda

1. Financial Basics
 - Where to begin...
2. Cash Flow
 - What's coming and going...
3. Savings Ideas
 - What to do, How to start...
4. Debt Reduction
 - Lessening the burden...
5. Other Ideas
 - Building a solid future...



Financial Basics

The two main concepts needed to understand your current situation are:

NET WORTH

&

CASH FLOW



Financial Basics

Net Worth is:

$$\text{Assets} - \frac{\text{Liabilities}}{\text{Net Worth}}$$

Assets = What you own
Liabilities = What you owe

Net Worth could be Positive or Negative

Financial Basics

Cash Flow is:

$$\text{Income} - \frac{\text{Expenses}}{\text{Savings / Spending}}$$

Income = How much you earn
Expenses = How much you spend

Cash Flow

It's imperative you understand your own situation

Make a chart of your monthly bills and income

By writing everything down in one place you can develop a budget for monthly spending and savings

Cash Flow

Example: Monthly Cash Flow Statement

Income:

Salary	\$	3200
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Expenses:

Mortgage	\$	1250
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Phone Bill	\$	50
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Cable	\$	82
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Car Payment	\$	320
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Utilities	\$	105
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Positive Cash Flow	\$1393
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This is the total amount available for discretionary spending/savings/debt reduction

Cash Flow

Cash Flow:

Savings increases Net Worth



&

Spending decreases Net Worth



By understanding your cash flow, you can set simple goals

“I want to increase my net worth by \$XXX this year.”

Savings Ideas

Think of Saving like Paying a Bill

- Once you start saving it will become a habit, and something you do naturally after a few months.

Reduce expenses, don't deny

- Think of saving money like starting a diet. Several small lifestyle changes can add up to make a big impact over time.

Start Small

- Start by looking at your excess monthly cash flow and determining a reasonable amount that you can save. By starting small you avoid saving too much, then having to dip into your savings to cover living expenses. If you have extra cash at the end of the month, you can always save it.

Savings Ideas

Don't get Checks or a Debit Card

- By making it as inconvenient as possible to access your savings account your savings, you will have more time to question your intended purchases.

Keep your Savings account separate

- By separating your savings account(s) from your checking you avoid the temptation to dip into your savings.



Savings Ideas

Example:

Remember that \$1393 in positive monthly cash flow?
Let's start by saving \$300 a month.

Income:

Salary \$ 3200

Expenses:

Mortgage \$ 1250

Phone Bill \$ 50

Cable \$ 82

Car Payment \$ 320

Utilities \$ 105

Positive Cash Flow \$1393

Savings \$300

Remainder \$1093



Debt Reduction

Now that we have set forth a plan to start saving money, we need to begin to reduce your bills and make them disappear.



Debt Reduction

Five Simple Strategies:

Pay Your Mortgage Twice a Month

- Many mortgages will allow you to make two monthly payments. While totaling the same amount as a single payment, it will reduce your principal faster.

Always Pay On Time

- Even if you can only make the minimum payment, it is important to always make your payments before they are due. You will avoid any late fees and any increases in interest rates.

Debt Reduction

Five Simple Strategies (Continued)

Renegotiate Your Terms

- Many lenders are willing to renegotiate your interest rates if there is a chance you will take your business elsewhere.

Pay More Than You Owe

- Even if you can only afford slightly more than your minimum payment, every little bit helps.

Start Paying Down the Most Damaging Debt First

- Start paying off your credit cards or other debt with the highest interest first.

Other Strategies

Staying Out of Debt

1. Don't use your credit cards to purchase consumable items such as food, gas, etc.
2. Don't use Home Equity Loans as a source of income. These should be reserved to increase the value of other assets and not used to supplement your income.
3. Don't apply for more credit than you need. It's easier to keep track of your debt if it is consolidated with just a few lenders

Other Strategies

Look into your Company's Savings Plan

- You should contact your HR department and start to participate. Most companies match your contributions to a certain point, and better yet it is placed into your account before taxes.

Example:

Paycheck:	\$1,500	Paycheck:	\$1,500
Savings:	\$100		
Company Match	\$100		
After-Tax Total	\$1,170	After-Tax Total	\$1,250

This means you get \$200 in savings for an \$80 sacrifice from your paycheck!

Questions / Answers

Please feel free to ask us any questions.

Thank you for your attendance and attention.



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